



Shared Appreciation Agreements

What is a Shared Appreciation Agreement?

Farm Service Agency (FSA) farm loan borrowers who apply for loan servicing and qualify to have their debt written down must sign a shared appreciation agreement (SAA). The use of SAAs is authorized under Section 353(e) of the Consolidated Farm and Rural Development Act.

The agreement allows the Government to recapture all or a portion of the amount written down if the real estate security increases in value within a 10-year period. Recapture cannot exceed the amount of the writedown. Borrowers who received a writedown after 1988 signed an SAA that provided that they would pay recapture, if any, according to FSA Regulation 7 CFR 1951.914. Recapture is calculated 5 months before the 10-year expiration date of the SAA, or sooner if one of the following occurs:

- the property is conveyed, with the exception of transferring title to the spouse upon the death of a borrower,
- the FSA loans are repaid,
- or
- the borrower or spouse ceases farming.

Recapture Amounts

Recapture due under the SAA is 75 percent of the appreciation when one of the above events occurs within 4 years of receiving the writedown, and 50 percent of the appreciation during the remainder of the agreement or at the end of 10 years. If the amount of writedown is less than the percentage calculation, the amount due is the writedown amount.

Appraisals

Appreciation of the property's value is determined by appraisals. If an appraisal is obtained by FSA in order to determine the recapture amount prior to the expiration of the SAA, the borrower may appeal the appraised value, and request an independent appraisal. At the end of the 10-year agreement, the borrower selects an appraiser from a list of FSA approved appraisers. Once appreciation has been calculated, the borrower is requested to pay the amount of recapture due.

What if I Cannot Pay the Recapture Amount?

In some instances, borrowers will be unable to pay the recapture or obtain financing to do so. In such cases, provided that the borrower can show a positive cash flow, the recapture amount is identified on a new promissory note as a nonprogram loan. If the borrower is unable to pay the

recapture and a new note cannot be taken, the account is considered delinquent and processed for liquidation of the account.

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To file a complaint, write the Secretary of Agriculture, U.S. Department of Agriculture, Washington, D.C., 20250, or call 1-800-245-6340 (voice) or (202) 720-1127 (TDD). USDA is an equal employment opportunity employer.